

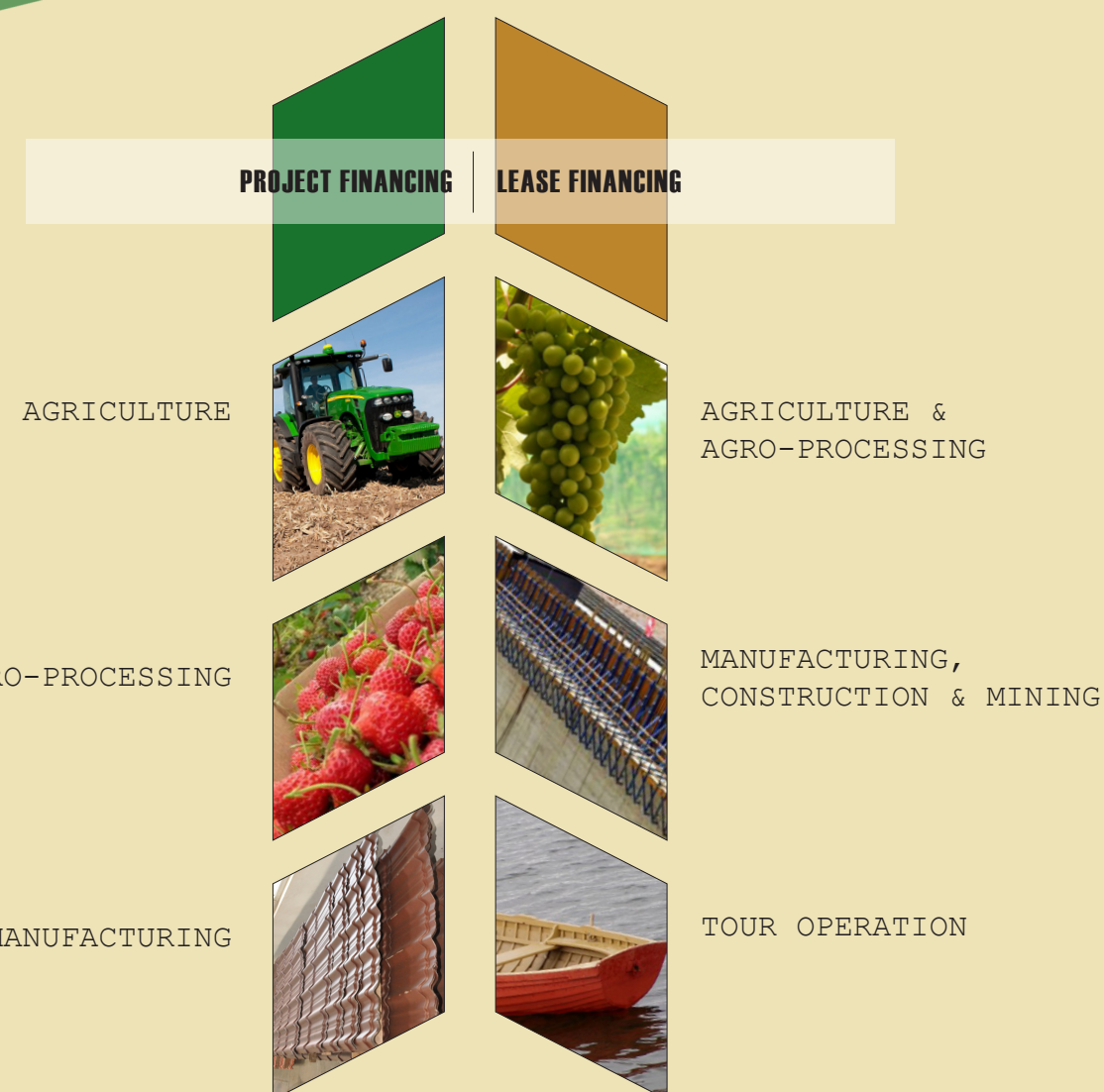


**Development Bank of Ethiopia**  
Your Development Partner!



**Development Bank of Ethiopia**  
Your Development Partner!

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## Annual Report

For the Year Ended June 30, 2016

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## *Mission*

The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the Government by mobilizing funds from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment.

## *Vision*

100% Success for All Financed Projects by 2020

## *Values*

- » Commitment to Mission
  - » Customer focus
  - » Integrity
  - » Team work
  - » High value to employees
  - » Learning organization
  - » Concern to the environment
-



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# Annual Report

For the Year Ended June 30, 2016



# Ownership of the Bank

Established in 1909, the Development Bank of Ethiopia is a specialized state owned development financial institution.

## Mandate

The current mandate of the Bank is the provision of development credit to viable priority projects along with technical support through mobilizing resources from domestic and foreign sources.

Priority areas of the Bank are:

- Commercial Agriculture projects,
- Agro-processing industries,
- Manufacturing and extractive industries
- Lease Financing Service for Small and Medium Enterprises.

## Capital of the Bank

Paid-up capital of the Bank as of June 30, 2016 stood at birr 7.5 billion.

## Human Resource

The total number of employees as at June 30, 2016 stood at 2,059. Of which, 1,510 (73%) were professionals and high level supervisors, 241 (12%) were semi-professional, administrative and clerical, 224 (11%) were manual and custodian and the remaining 84 (4%) were technician and skilled.

## Outreach

Headquarter of the Bank is found in Addis Ababa, the Capital City of the Country and the Seat of the African Union. The Bank has 13 district offices and 110 branches across the Nation.

## Governance and Organizational Structure

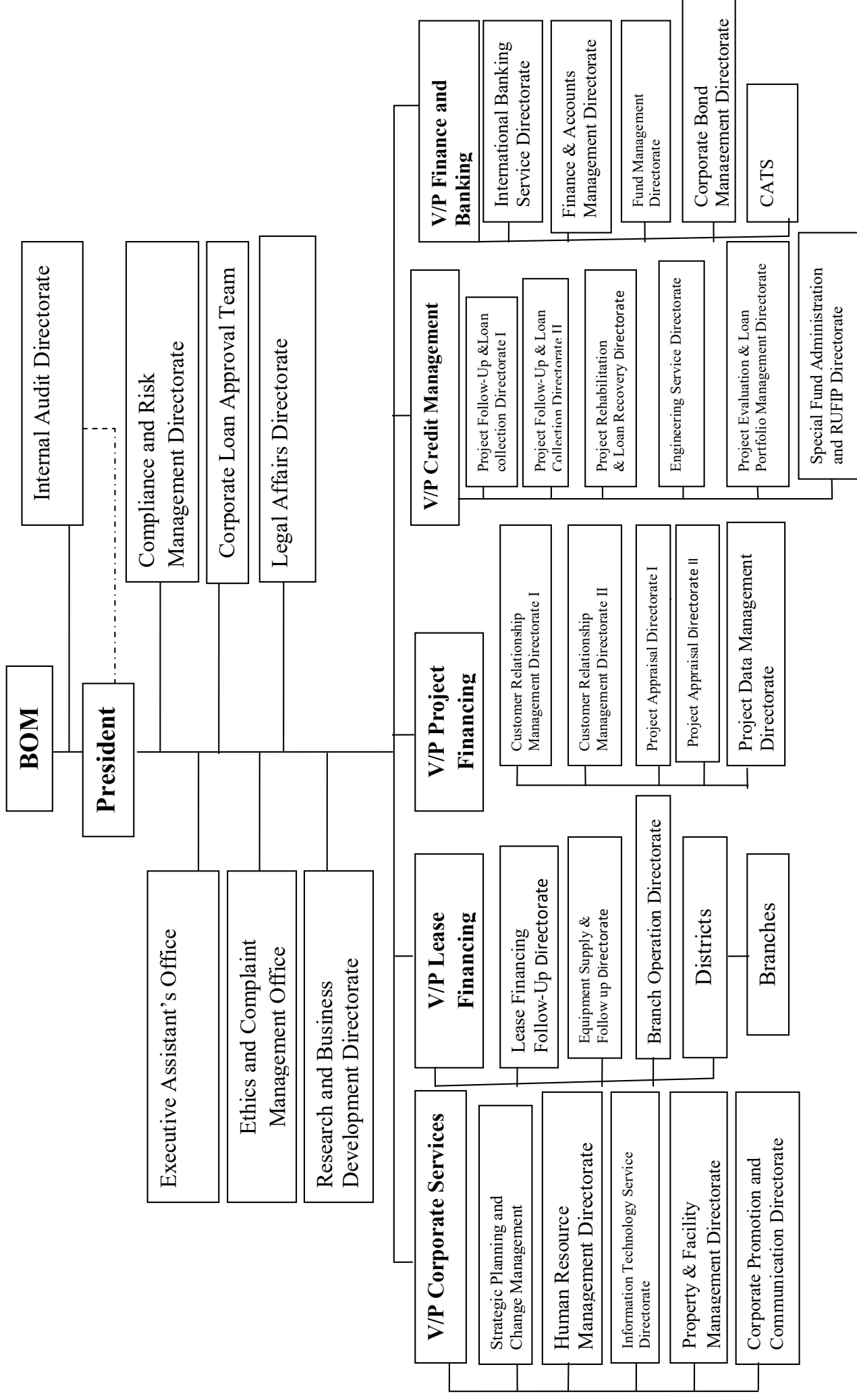
Development Bank of Ethiopia (DBE) is a specialized state owned development financial institution, which is supervised by the Public Financial Enterprises Agency. A Board of Management (BOM) consisting of seven senior government officials administers the Bank. The President of the Bank also attends the regular meetings of the BOM as a non-voting member. The two top bodies (Public Enterprises for Financial Agency (PEFA) and BOM are, among others, responsible for issuing major policies of the Bank, approval of its strategic and operational plans as well as the close and regular monitoring of the Bank's operations.

The top Executive Management Committee (EMC), which consists of the President and Six Vice Presidents, is a direct responsible body to oversee the overall operations of the Bank. The President chairs the EMC and acts as an official representative of the Bank. A Management comprised of fifty two management members is, on the other hand, responsible for the day-to-day management of the Bank's operational activities.

Pertaining to good governance, the Bank's management is structured in transparent way and those decisions taken and their enforcement are done in a manner that follows rules and regulations with developed policies and procedures.

The Bank's BOM has established separate Compliance and Risk Management and Internal Audit Directorates for the effective implementation of policies and procedures. Ethical Conduct and Complaint Management is also part of DBE's culture. The Bank has Ethics and Compliant Management Office under the direct supervision of the President.

(As of March 31, 2017)



## **BOARD OF MANAGEMENT**

(As of March 31, 2017)



H.E. Ato Shiferaw Shigute  
Chairman



H.E. Ato Desalegn Ambaw  
Member



H.E. Ato Tewodros G/Egziabher  
Member



H.E. Ato Wendu Legesse  
Member



H.E. Ato Sileshi Lemma  
Member



H.E. Alem W/Gerima  
Member



H.E. Ato Wasihun Abate  
Member

**EXECUTIVE MANAGEMENT MEMBERS**

(As of March 31, 2017)



Ato Getahun Nana  
President



Ato Teka Yibrah  
V/P, Corporate Services



Ato Tadesse Hatiya  
V/P, Credit Management



Ato Dereje Awgchew  
V/P, Project Financing



W/ro Almaz Tilahun  
V/P, Finance and Banking



Ato Teshome Alemayehu  
V/P, Lease Financing



Ato Haileyesus Bekele  
V/P, Advisor to the President



## Message from the President



It is a great opportunity for me to present the Annual Report of the Development Bank of Ethiopia for the year ended June 30, 2016.

The Bank, as one of the major strategic and policy based financial institutions of the Country, has been accomplishing its duties and responsibilities under a

“ The growth in real GDP was mainly attributed to 8.7 percent growth in services, 2.3 percent in agriculture and 20.6 percent in industrial sectors. ”

clearly articulated mission of upholding the development objectives of the country. It is established to support the economy through the provision of project finance and technical support to viable projects that are selected as priority areas by the Government. DBE, as a policy Bank, is entrusted to serve as a tool for the country's development through availing medium and long term credit to commercial agriculture, agro processing, manufacturing industries, mining and extractive industries as well as small and medium enterprises (SMEs).

In addition to its standing mission of project financing, DBE is engaged in a new task given by the Government to support Small and Medium Enterprises (SMEs) through Lease Financing program. For better accommodation of its increasing operations and national economic development demand, the Bank has undertaken organizational restructuring to position itself in the way that enables it to meet the expectation of the Government. To this effect, it has opened 75 new branches and seven districts in different Regions of the Country to increase its accessibility and promote Financial Inclusion. The new Regional Branch and District establishments are mainly attributed to the Government's strong need to create sustainable employment opportunities and contribution to GDP through lease financing.

The Ethiopian economy which had exhibited 9.8% average annual growth during 2010/11-2015/16, registered 8% growth in 2015/16 despite challenging macro-economic and weather conditions. The growth in real GDP was mainly attributed to 8.7 percent growth in services, 2.3 percent in agriculture and 20.6 percent in industrial sectors.

Based on the Country's GTP-I experience and the Government's direction, the Bank is engaged in GTP- II by setting a plan of loan approval, disbursement and collection of birr 112.28 billion, birr 104.34 billion and birr 39.15 billion respectively at the end of the fifth year. Among its second five-year plan, the Bank has completed its first year of operation (2015/16). During the fiscal year, the Bank's approval, disbursement, and collection were birr 11.8 billion, birr 6.3 billion and birr 4.1 billion respectively.

In the 2015/2016 fiscal year, the Bank has earned a total income of birr 3.02 billion. Moreover, from the total income, birr

2.42 billion gained from interest earned on loans and advances, birr 0.39 billion was from interest earned on Treasury bill while the remaining birr 63.04 million was derived from gain on currency fluctuation and other income. Furthermore, the total expense of the year was birr 1.6 billion increased by 17% compared to the previous year total expense balance. The Bank earned a net profit of birr 413.9 million during the reporting period.

With regard to foreign currency generation, during the year under review, the Bank generated birr 2.5 billion which is 75% of the planned target. Out of which, birr 1.28 billion is export proceed and birr 1.23 billion is equity investment. Furthermore, the Bank mobilized birr 916 million from sale of Grand Ethiopian

Renaissance Dam (GERD) Bond, which is 117% of the planned target.

In the reporting fiscal year, the Bank has 2,059 employees. Besides, in order to improve the knowledge and skills of its human resource, the Bank has offered different training opportunities in various disciplines for its employees inside and outside the Country.

In general, the overall performance of the Bank in the year under review was pleasing. Obviously, this accomplishment of the Bank was realized as a result of the concerted efforts exerted by members of the Board of Management (BOM), Management members of the Bank at different levels, stakeholders and more importantly employees of the Bank. ■

*Thank You!*

*Getahun Nana, President*

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# 1. An Overview of the Ethiopian Economy



The Ethiopian economy continued to register notable growth. Ethiopia registered 8 percent real GDP growth rate in 2015/16 which was much higher than 1.4 percent average for Sub-Saharan Africa. The economic growth was broad based with industry growing 20.6 percent, services 8.7 percent and agriculture 2.3 percent.

The economy has exhibited a gradual structural shift. Though agriculture still remained a dominant sector, its share in GDP continued to shrink from 38.7 percent in 2014/15 to 36.7 percent in 2015/16 while that of industry and services stood at 16.7 and 47.3 percent, respectively. This trend is in line with the government's policy of agriculture led industrialization, developing manufacturing sector and enhancing export-led growth to sustain

double digit economic growth trajectory achieved during the last 15 years.

Nominal GDP per capita increased to USD 794 from USD 725 a year earlier depicting 9.5 percent improvement.

In 2015/16, the agricultural sector exhibited slower growth rate of 2.3% compared with 8.2% target mainly due to contraction in grain crop production largely on account of El Niño effect. The total grain production reached 266.8 million quintals, of which cereal production accounted for 86.7%, pulses 10.4% and oil seeds 2.9 %. Cereals production went down by 2 percentage point over the preceding year owing to 1.7% reduction in cultivated land area. In contrast, the production of pulses and oilseeds improved by 3.6 and 3.3 % while

cultivated land area expanded by 6.1 % and 0.4 %, respectively during the same period.

The total land cultivated for crop production slightly declined by 0.6 % to 12.5 million hectares, of which cereals production covered 79.9 %, pulses 13.2 % and oil seeds 6.9 %.

The share of agriculture in GDP in 2015/16 went down to 36.7 % from that of 38.7 % in the preceding year. Likewise, the sector's contribution to GDP growth rate declined to 11.3 % compared with that of 24% last year.

The lion's share of agricultural sector was crop production, comprising 71.9 %, followed by animal farming and hunting (19.5 %) and forestry (8.4 %). In terms of growth rate, crop and forestry increased by 3.4 and 2.2 %, respectively; while animal farming and hunting went down by 1.5%.

In line with this, the industrial sector showed a 20.6% annual growth and accounted for 16.7 % of GDP. The sector contributed 38.8 % to the overall economic growth during the fiscal year and its performance was more or less in line with GTPII target of 21.8 % growth and 16.6% share. Manufacturing sector increased by 18.4 % and constituted about 32.4% of industrial output. Construction industry, on the other hand, contributed more than half (56.8%) to industrial sector and expanded by 25 % signifying the leading role the construction sector plays in terms

growing expansion of roads, railways, dams and residential houses. Electricity and water and mining and quarrying had 6.3 % and 4.5 % contribution to industrial production, respectively.

Service sector on the other part continued to dominant the economy as its share in GDP rose to about 47.3 % and its contribution to GDP growth was about 50 % meaning, half of the country's economic growth was attributed to service sector. This was largely owing to the expansion of wholesale and retail trade (8.2%), real estate, renting and business activities (3.7%) and hotels and restaurant (15.6%).

In the fiscal year, the national domestic saving increased by 20.1 %, while the total consumption expenditure rose by 17.1 % during 2015/16.

In 2015/16 alone 190,587 new Micro and Small Enterprises (MSEs) were established which employed about 1.7 million people.

All in all, the Ethiopian economy was largely characterized by encouraging overall economic performance in all sectors of the economy. The good performance of the Country has created conducive business environment of the banking industry in general and the Development Bank of Ethiopia in particular. The satisfactory operation of the Bank which is discussed in detail in the next session is to be the reflection of the robust national economic growth. ■

## 2. The Bank's Operational Highlights for F.Y. 2015/2016

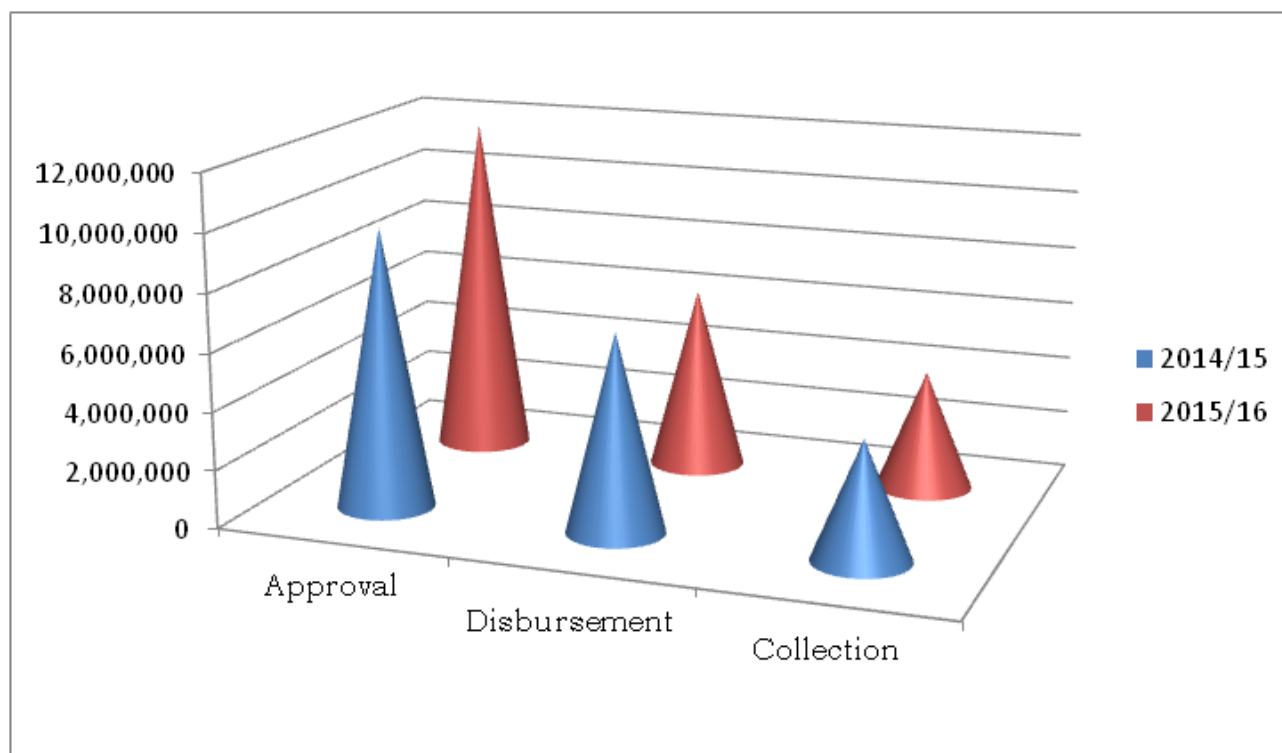
### 2.1. Overall Credit Operation

During the fiscal year ended June 30, 2016, the Bank approved birr 11.84 billion and disbursed birr 6.33 billion for various projects. Moreover, the Bank collected birr 4.11 billion from its clients in the reporting fiscal year. Details are shown in the Table 1.

**Table 1:** Summary of Credit Operation by the Bank during the fiscal year ended June 30, 2016.

Birr '000'

Sr. No.	Item	Agriculture		Manufacturing		Mining & Energy		Financial Service		Service		Consumer		Total		% Change
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	
1.	Approval	3,270,000	1,489,198	5,630,000	9,376,751	184,191	578,716	537,147	300,321	7,469	426	55,943	91,084	9,685,518	11,836,496	22
2.	Disbursement	1,890,000	2,140,128	4,020,000	3,416,136	84,000	258,249	711,000	364,282	72,000	55,780	64,000	97,992	6,842,852	6,332,567	(7)
3.	Collection	544,030	605,821	2,820,000	2,622,951	47,790	126,071	403,620	476,406	242,940	230,237	30,990	47,584	4,087,324	4,109,070	1







Some of the projects financed by DBE.

## 2.2 Loan Approval

### 2.2.1 Loan Approval by Economic Sector

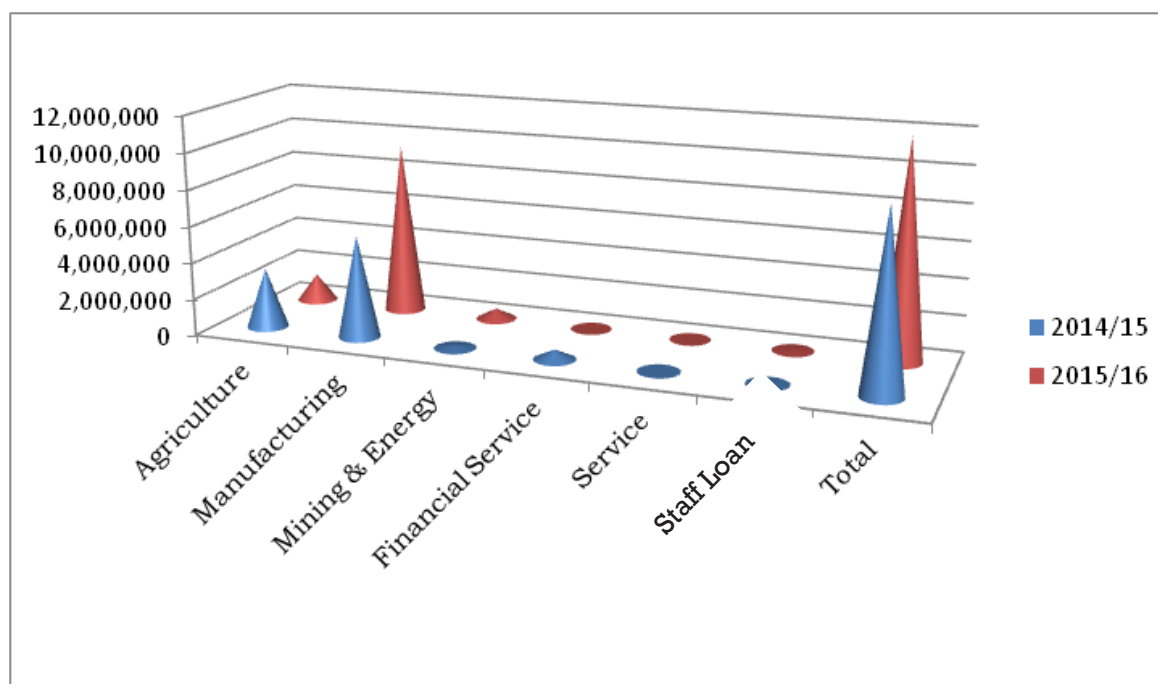
During the reporting fiscal year, the Bank approved Birr 11.84 billion. Of which birr 1.49

billion was approved to agriculture sector, while birr 9.37 billion to the manufacturing, birr 578.7 million to mining and energy and birr 300.3 million to financial services. The remaining birr 91.08 million was to the staff loans. The details are shown in table 2.

**Table 2: Loan Approval by Economic Sector**

Birr '000'

<b>Sector</b>	<b>2014/15</b>	<b>2015/16</b>	<b>% Change</b>
<b>1. Agriculture</b>			
Public Enterprises	54,947	-	(100)
Cooperative	174,480	5,835	(97)
Private	3,042,283	1,483,362	51
<b>Sub-total</b>	<b>3,271,710</b>	<b>1,489,198</b>	<b>(248)</b>
<b>2. Manufacturing</b>			
Public Enterprises	7,272	25,000	-
Private	5,621,786	9,351,751	67
Micro-Enterprises	-	-	-
<b>Sub-total</b>	<b>5,629,058</b>	<b>9,376,751</b>	<b>67</b>
<b>3. Mining and Energy</b>			
Public Enterprises	-	-	-
Microfinance	148,172	-	(100)
Private	36,019	578,716	1,507
<b>Sub-total</b>	<b>184,191</b>	<b>578,716</b>	<b>214</b>
<b>4. Financial c Service</b>			
Public Enterprises	-	-	-
Microfinance	537,147	300,321	(44)
<b>Sub-total</b>	<b>537,147</b>	<b>300,32</b>	<b>(44)</b>
<b>5. Service</b>			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	7,469	7,469	(94)
<b>Sub-total</b>	<b>7,469</b>	<b>7,469</b>	<b>(94)</b>
<b>6. Staff loan</b>			
Private	55,943	91,084	63
<b>Sub-total</b>	<b>55,943</b>	<b>91,084</b>	<b>63</b>
<b>Total</b>	<b>9,685,518</b>	<b>11,836,496</b>	<b>22</b>



## Loan Approval Performance

### 2.2.2 Loan approval by Social Sector

In the year 2015/16, the lion share of approval

was made for private investments; this indicates the focus of the Bank to support the private sector which is the engine of the economic development of the Country.

**Table 3: Loan approval by social sector**

Sector	Birr '000'	
	2014/15	2015/16
Public Enterprise	62,219	25,000
Cooperative	174,480	5,835
Private	8,763,500	11,505,339
RUFIP/Microfinance	685,319	300,322
<b>Total</b>	<b>9,685,518</b>	<b>11,836,496</b>

## 2.3 Loan Disbursement

### 2.3.1. Loan Disbursement by Economic Sector

In the reporting period, the Bank disbursed birr 6.33 billion. An assessment of the sectoral distribution of annual disbursement revealed

that, out of the total disbursement; birr 2.14 billion was disbursed to agriculture sector, while birr 3.41 billion to manufacturing, birr 258.2 million for mining and energy and Birr 364.28 million was disbursed to financial services. The remaining birr 55.78 million and 97.99 million disbursements were to service sectors and staff loan respectively.

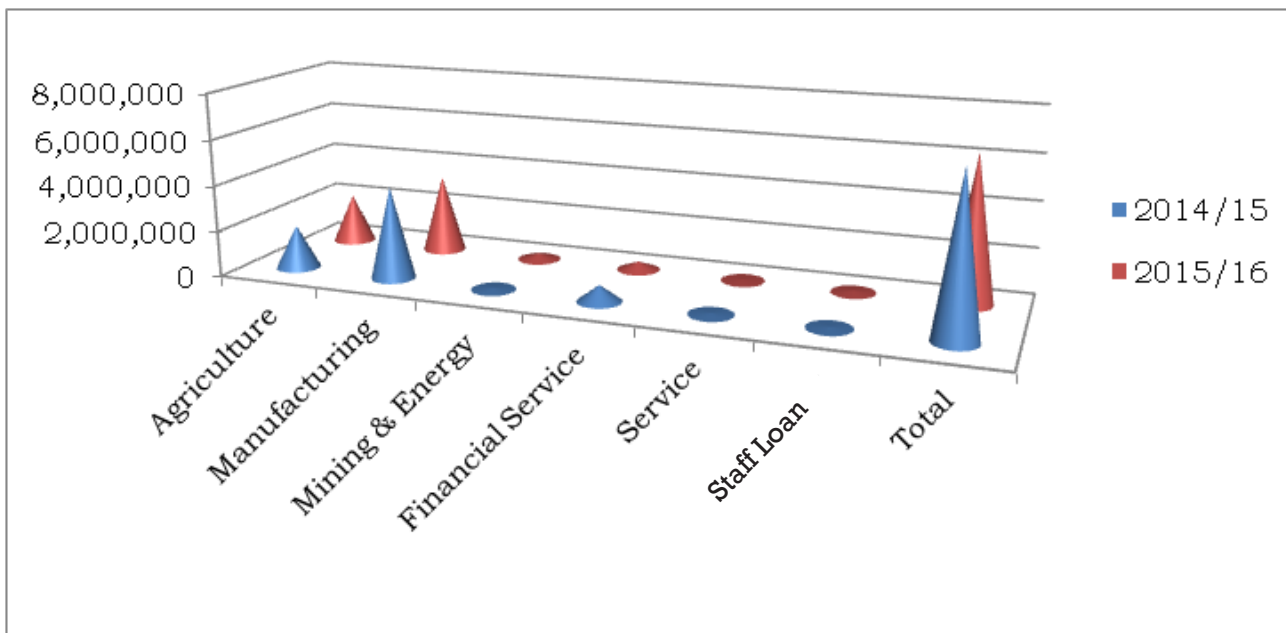
**Table 4: Loan disbursement by economic sector**

Birr '000

<b>Sector</b>	<b>2014/15</b>	<b>2015/16</b>	<b>% change</b>
<b>1. Agriculture</b>			
Public Enterprises	-	9,706	-
Cooperative	187,488	8,760	(95)
Private	1,702,104	2,121,661	25
<b>Sub-total</b>	<b>1,889,593</b>	<b>2,140,128</b>	<b>13</b>
<b>2. Manufacturing</b>			
Public Enterprises	413,128	263,645	(36)
Private	3,589,294	3,148,140	(12)
Cooperative	20,294	4,351	(79)
<b>Sub-total</b>	<b>4,022,716</b>	<b>3,416,136</b>	<b>(15)</b>
<b>3. Mining and Energy</b>			
Public Enterprises	-	-	-
Microfinance	25,000	34,976	40
Private	58,986	223,273	279
<b>Sub-total</b>	<b>83,986</b>	<b>258,249</b>	<b>207</b>
<b>4. Financial Service</b>			
Public Enterprises	-	-	-
Microfinance	710,811	364,282	(49)
<b>Sub-total</b>	<b>710,811</b>	<b>364,282</b>	<b>(49)</b>
<b>5. Service</b>			
Public Enterprises	61,653	51,733	(16)
Cooperative	-	-	-
Private	10,326	4,048	(61)
<b>Sub-total</b>	<b>71,979</b>	<b>55,780</b>	<b>(23)</b>
<b>6. Staff loan</b>			
Private	63,768	97,992	54
<b>Sub-total</b>	<b>63,768</b>	<b>97,992</b>	<b>54</b>
<b>Total</b>	<b>6,842,852</b>	<b>6,332,567</b>	<b>(7)</b>



Birr '000



A Vineyard Farm financed by DBE in Oromia Region





A textile produce financed by DBE

### 2.3.2 Loan Disbursement by Social Sector

During the year ended June 30, 2016, the Bank disbursed birr 6.33 billion. Out of which, birr 5.59 billion, birr 325.08 million, birr 48.08 million, and birr 364.28 million was disbursed to private owned companies, public

enterprises, cooperatives and micro-finance institutions, respectively. This shows that the Bank has played a crucial role pertaining to private sector in line with the government agenda.

Table 5: Loan disbursement by social sector

Sector	Birr '000'	
	2014/15	2015/16
Public Enterprise	499,781	325,084
Cooperative	207,782	48,087
Private	5,424,478	5,595,114
RUFIP/Microfinance	710,811	364,282
<b>Total</b>	<b>6,842,852</b>	<b>6,332,567</b>

## 2.4 Loan Collection

### 2.4.1. Loan Collection by Economic Sector

In the reporting year, the Bank collected birr 4.11 billion. With regard to sectoral distribution, Birr 605.8 million (15%) from agriculture, birr 2.6 billion (63%)

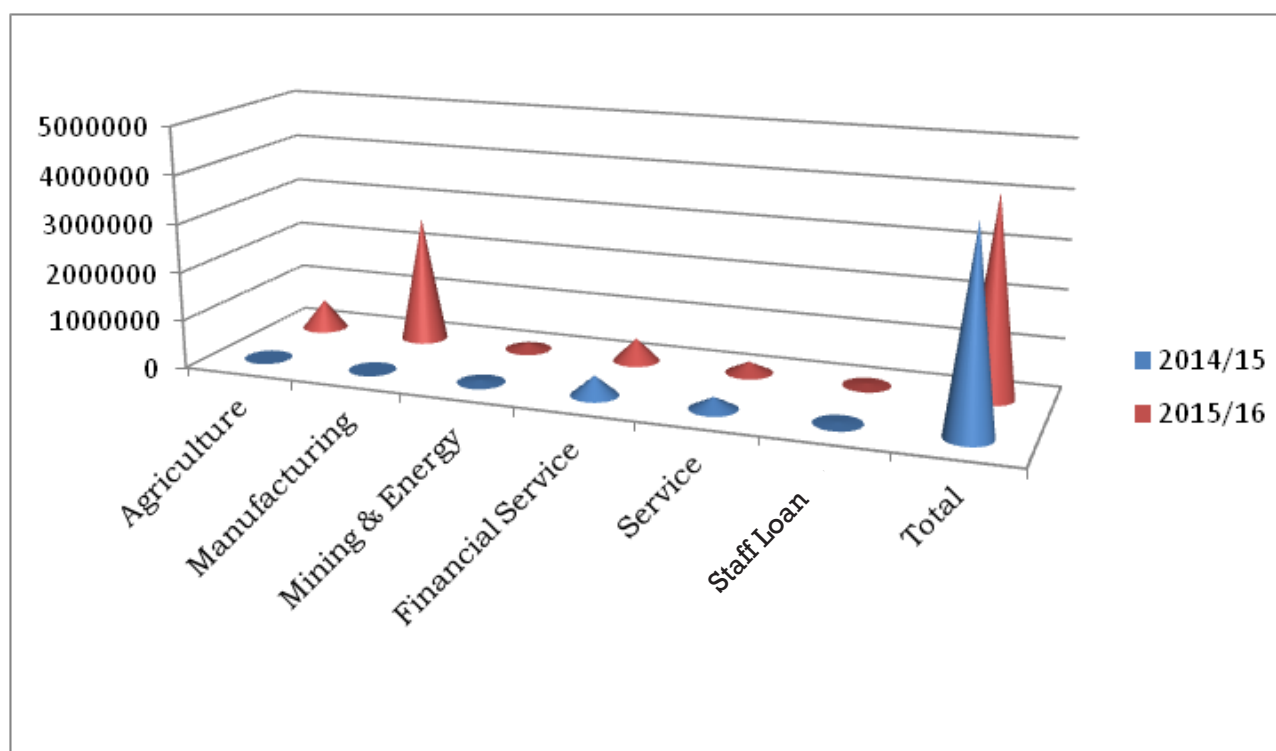
was collected from manufacturing and birr 126.07 million (3%) from mining and energy, birr 476.4 million (12%) from financial services. The remaining amount birr 230.2 million (6%) and birr 47.58 million (1%) were collected from the previously given service loans and staff loans.

Table 6: Loan collection by economic sector

Birr '000'

Sector	2014/15	2015/16	% Change
<b>1. Agriculture</b>			
Public Enterprises	-	1,455	-
Cooperative	90 553	58,096	(36)
Private	4 53,472	546,270	20
<b>Sub-total</b>	<b>5 44,025</b>	<b>605,821</b>	<b>11</b>
<b>2. Manufacturing</b>			
Public Enterprises	1 06,833	114,232	7
Private	2 ,694,783	2,500,502	(7)
Cooperative/Microenterprises	1 6,351	8,217	50
<b>Sub-total</b>	<b>2 ,808,278</b>	<b>2,622,951</b>	<b>(7)</b>
<b>3. Mining and Energy</b>			
Public Enterprises	-	-	-
Cooperative	8,273	61,364	642
Private	39,514	64,707	64
<b>Sub-total</b>	<b>47,787</b>	<b>126,071</b>	<b>164</b>
<b>4. Financial Service</b>			
Public Enterprises	95,825	-	-
Microfinance	307,793	476,406	18
<b>Sub-total</b>	<b>403,619</b>	<b>476,406</b>	<b>18</b>
<b>5. Service</b>			
Public Enterprises	138,312	138,374	0
Cooperative	39	164	321
Private	104,585	91,698	(12)
<b>Sub-total</b>	<b>240,980</b>	<b>230,237</b>	<b>(5)</b>
<b>6. Staff loan</b>			
Private	30,990	47,584	54
<b>Sub-total</b>	<b>30,990</b>	<b>47,584</b>	<b>54</b>
<b>Total</b>	<b>4,087,324</b>	<b>4,109,070</b>	<b>1</b>

Birr '000'



## 2.4.2 Loan Collection by Social Sector

The biggest share of the Bank's collection came from the private sector which accounted for birr 3.32 billion, cooperatives birr 0.106 billion, microfinance birr 0.316 billion and public enterprises for birr 0.341 billion.

**Table 7: Loan collection by social sector**

Birr '000'

Sector	2014/2015	2015/2016
Public Enterprise	340,970	254,061
Cooperative	106,943	127,841
Private	3,323,344	3,250,761
RUFIP/Microfinance	316,066	476,406
<b>Total</b>	<b>4,087,324</b>	<b>4,109,069</b>



Textile productions financed by DBE

## 2.5. Loan Portfolio

The Bank's total outstanding loan as at June 30, 2016 was birr 31.63 billion. Of which, the share of agriculture was birr 6.17 billion (19.51%), manufacturing birr 21.35 billion (67.52%), mining and energy birr 795.4

Million (2.51%), financial service birr 2.5 Billion (7.9%) as well as service and staff loan was birr 643.36 million (2.03%) and birr 165.54 million (0.52%) respectively. The total loans and advances represent 54% of the total assets of the Bank.

Table: 8 Summary of Loan Portfolio by Sector

Sr. No.	Sector	Public Enterprise	Cooperative	Private	Micro Enterprise	Total	Birr '000'
							Percentage Share
1.	Agriculture	-	121,316	6,049,888	-	6,171,204	19.51%
2.	Manufacturing	3,460, 479	479	17,896,691	-	21,358,057	67.52%
3.	Mining and Energy	-	-	795,411	-	795,411	2.51%
4.	Financial Service	-	-	-	2,496,788	2,496,788	7.9%
5.	Service	515,451	-	127,915	-	643,366	2.03%
6.	Staff loan	-	-	165,541	-	165,541	0.52%
<b>Total</b>						<b>31,630,367</b>	<b>100%</b>



## 2.6 Lease Financing Performance

Lease financing activities are one of the segments in which DBE provides credit service in line with GTP II strategic plan. Accordingly, the Bank has set a target of birr 4.6 billion for approval, birr 4.6 billion for disbursement and birr 437 million for collection during the operational period of 2015/16. The actual performance of approval and disbursement in lease financing operations of the Districts as of June 30, 2016 was birr 125.1 million and birr 2.24 million, respectively.

## 2.7. Rural Financial Intermediation Program (RUFIP)

### 2.7.1 Export Credit Guarantee Scheme

The Bank has earned guarantee fee of birr 3.42 million from Export Credit Guarantee Scheme and the Country secured foreign currency of birr 835.99 million (USD 39.68 Million) from pre-shipment export guarantee issuance.

In the reporting year, financial guarantee of birr 136 million was given to two financial banks. Furthermore, the principal ECG outstanding loans amounted to birr 111.79 million as at the end of fiscal year.

### 2.7.2. Rural Financial Intermediation Program (RUFIP)

In the reporting period, loan approvals by RUFIP amounted to birr 0.32 billion. The cumulative amount of loan disbursement and collection during the year has reached birr 1.68 billion and birr 0.26 billion, respectively.

This achievement was the result of outsized loan approval for the programmed year one from the total program year's allocation amount by considering the increasing demand of micro-finance institutions (MFIs), rural saving and credit cooperatives (RUSACCOs) and unions.

## 3. Socio - Economic Benefit

The existing projects that are financed by the Bank have created employment opportunities for 87,225 individuals on permanent and temporary bases as of June 30, 2016.

During the year under review, the newly appraised 283 projects are expected to create employment opportunities for 27,623 (22,951 permanent and 4,672

temporary) individuals. Besides, Rural Financial Intermediation Program (RUFIP) also creates significant number of employment in the Country.

With respect to tax revenue and foreign exchange generation, the yearly financed projects are expected to generate about birr 2.46 billion and birr 4.36 billion, respectively.

## 4. Human Resource Management Operations

### 4.1. Human Resource Management

The Bank's human resource management philosophy is to support its short and long term goals and objectives through the development of an application of policies and practices that assure the recruitment and retention of skilled and motivated workforce. In pursuit of this objective, additional staffs were recruited during the year to meet the Bank's staffing requirements.

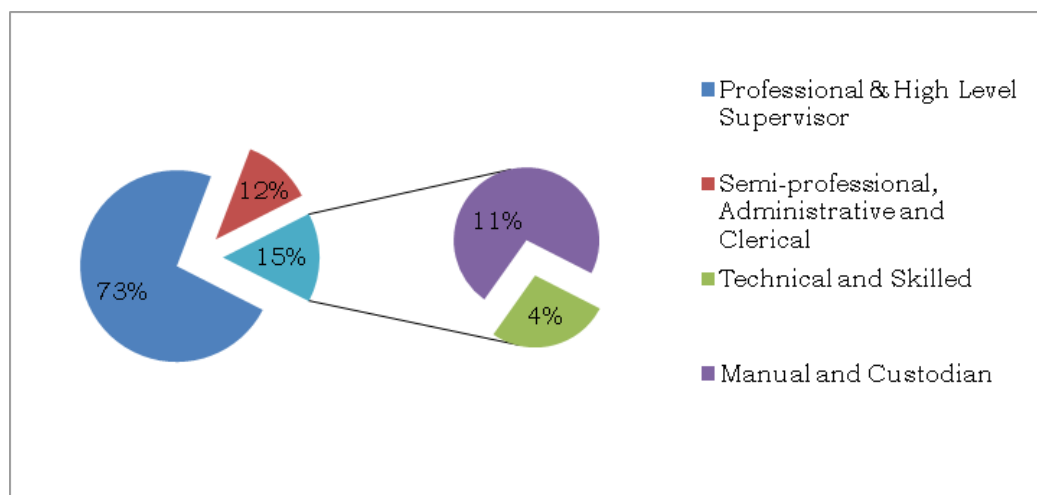
The Bank recognizes the need for skilled, agile and committed work force. These essential competencies of a work force are vital in transforming the Bank into a progressive development financial institution that will stimulate the growth of the Country. The Bank has also identified the need to retain developed talent and reduce professional attrition rate through improved organizational alignment in its five year strategic objective so that the valuable experience and expertise within the Bank is not lost. The retention of this skilled work force will eventually provide a boost to the Bank for continued success in services offered, and propel the Bank into new opportunities.

As of June 30, 2016, the total human power balance of the Bank was 2,059 which is 124% of the planned target. When the Bank's manpower stock is categorized by occupational category, 1510 (73%) professional and high level supervisor, 241 (12%) semi-professional, administrative and clerical, 84 (4%) technical and skilled while the remaining 224 (11%) are manual and custodian.

The following table indicates composition of human resource development of the fiscal year ended June 30, 2016.

Table 9: Composition of Human Resource

	Professional and High Level Supervisor	Semi-Professional Administrative and Clerical	Technical and Skilled	Manual and Custodian	Total
No. of Employees	1510	241	84	224	2,059
% Share	73.3%	11.7%	4.1%	10.9%	100%



Composition of Human Resource Development as of June 30, 2016

## 4.2 Training and Education

The increased service rendered during the period under review required additional investment in the Bank's human resource capacity. As a result, in line with the recruitment of new staff, the Bank continued to improve its capacity by investing in human resource development programs to enhance core competencies, technical skills and knowledge at all levels.

During the year under review, the Bank has provided training for the staff members which show the performance of 138% of the target.

## 5. Research Activities in the Bank

The Research Unit of the Bank handles all the tasks of availing research information and data mainly for the core Units of the Bank namely the Customer Relationship

Management Directorates, Project Appraisal Directorates, Project Rehabilitation and Loan Recovery Directorate and district Offices.

The Research Unit is one of the key support organs of the Bank and has five mandates, namely the commodity study preparation, model bankable project preparation, cross cutting project supporting data establishment, the civil cost development, and the machinery, equipments, furniture and fixture data organization. All the outputs need updating works periodically and also intended to serve the Approval Teams, Ethics and Compliant Management Office, Districts and Branches.

To satisfy the current credit demand from different sectors/commodity the output of research has been compiled, updated and disseminated. Accordingly, in the reporting period, various new commodity studies and updating works have been carried out.

## 6. Financial Management

The 2015/16 fiscal year was the first year of a Five Year Corporate Strategic Plan of GTP II in which the Bank registered strong financial performance, discussed here under.

### 6.1 Income and Expenses

#### 6.1.1 Income

During the year under review, the Bank earned a total income of birr 3.02 billion which is 71% of the Plan. As compared to the previous year performance, this year's total income showed 14% increment. The lion share of the income (birr 2.42 billion) was derived from interest earned on loans and advances, followed by interest earned on Treasury Bill Purchase (birr 0.387 billion) and the rest (birr 0.063 billion) was came from foreign currency fluctuation and other income.

#### 6.1.2 Expenses

As the Bank continued to enforce cost control measures as an integral part of its financial management activities, the total expense of the year under review showed birr 1.6 billion lower than the planned target. The total expense registered higher than the previous year due to provision expenses, interest and charges increment of the year due to interest bearing mobilized funds and price hike on general expenses. This year total expense was increased by 88% compared to the previous year total expense balance.

#### 6.1.3 Profit/ Loss

During the fiscal year, the Bank earned a net profit of birr 413.9 million.

#### 6.1.4 Currency Generation

During the year under review, the Bank generated birr 2.5 billion (96.45 USD and 20.16 Euro) which is 75% of the planned

target. Out of which, birr 1.28 billion is export proceed and birr 1.23 billion is equity investment.

#### 6.1.5 Grand Renaissance Dam Bond/ Hidase Bond

During the year ended June 30, 2016, DBE has mobilized birr 916 million from sale of Grand Ethiopian Renaissance Dam (GERD) Bond, which is 117% of the planned target. Such performance has been contributed due to increase awareness of the public on the fifth anniversary of the laying of the foundation of the GERD.

## 7. Concern to the Environment

One of the core values of the Development Bank of Ethiopia is known by financing environment friendly projects which support the economic development of the Country. During this time, it is a must to pay due attention to environmental issues through optimal use of scarce resources for maintaining sustainable development for future generation by conserving the environment. Environment is the global issue which needs due concern and DBE has engaged on this task by asking the investors certifications from concerned governmental organ about environmental impact of the specific project. The starting point of the evaluation of the environmental assessment of the project is the fact that it should meet all the country's and DBE's environmental policy and guideline requirements or has identified and agreed to an action plan to achieve compliance in specific time frame. Pertaining to this, the Bank has prepared and approved its environmental policy/guideline which will enable the Bank to play its role in addressing environmental issues of the Nation.

— — — — — — — — — —





*A pharamaceutical factory financed by DBE*



A stylized graphic on a light beige background. On the left is a white outline of a notepad with four punch holes at the top. To its right is a large, faint orange outline of a pencil, angled diagonally. The text 'Audit Report' is centered over the pencil.

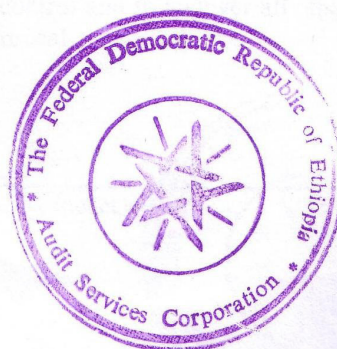
# **Audit** Report

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AUDIT SERVICES  
CORPORATION

DEVELOPMENT BANK OF ETHIOPIA  
MANAGEMENT LETTER  
FOR THE YEAR ENDED 30 JUNE 2016





በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ  
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The Federal Democratic Republic of Ethiopia  
Audit Services Corporation

16 December 2016

Financial Public Enterprises Agency  
Addis Ababa

Dear Sirs,

**DEVELOPMENT BANK OF ETHIOPIA  
MANAGEMENT LETTER  
FOR THE YEAR ENDED 30 JUNE 2016**

INTRODUCTION

We hereby submit our management letter arising from our audit of the financial statements of Development Bank of Ethiopia (hereinafter referred to as the Bank) for the year ended 30 June 2016.

We attach the following for reference

Independent auditor's report  
Profit and loss account  
Balance sheet  
Statement of changes in equity  
Statement of cash flows  
Notes to the financial statements

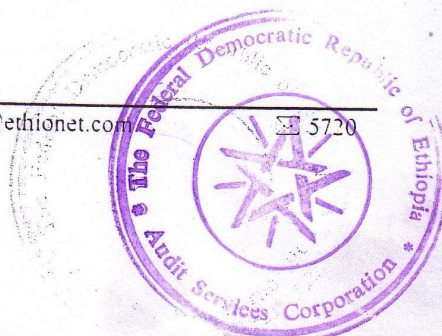
No major findings came to our attention during the audit. It must be appreciated however that our normal audit procedures are designed primarily with a view to the expression of our opinion on the financial statements of the Bank and therefore our examination cannot be expected to disclose all possible weaknesses in internal control and to uncover all other findings which a more extensive special examination might reveal.

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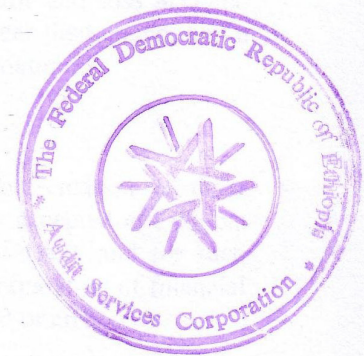
## CONCLUSION

We would like to express our appreciation to the management and staff of the Bank for the assistance and courtesy extended to us during the course of the audit.

We have discussed this report with the management of the Bank who, in general, accept our findings and recommendations. We shall be pleased to provide any further explanations that may be required.

Yours faithfully,

*Audit Services Corporation*





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The Federal Democratic Republic of Ethiopia  
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT  
TO THE SUPERVISING AUTHORITY OF  
DEVELOPMENT BANK OF ETHIOPIA**

We have audited the accompanying financial statements of Development Bank of Ethiopia, which comprise the balance sheet as at 30 June 2016, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Responsibility for the Financial Statements***

The Bank's President is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*Asc*

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SUPERVISING AUTHORITY OF  
DEVELOPMENT BANK OF ETHIOPIA (continued)**

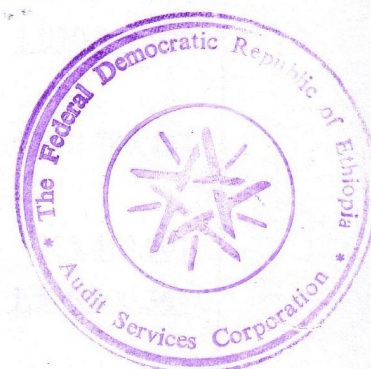
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Ethiopia as at 30 June 2016, and its financial performance and its cash flows for the year then ended in conformity with accounting principles generally accepted in Ethiopia and the requirements of the Commercial Code of Ethiopia of 1960.

*Audit Services Corporation*

16 December 2016



**DEVELOPMENT BANK OF ETHIOPIA**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

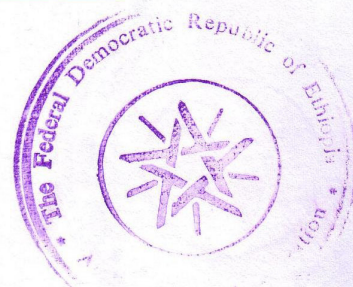
	Notes	2016 Ethiopian Birr	2015 Ethiopian Birr
INTEREST INCOME	3	2,817,539,087	2,441,192,395
INTEREST EXPENSE	4	<u>1,203,316,290</u>	<u>1,070,411,932</u>
NET INTEREST INCOME		1,614,222,797	1,370,780,463
OTHER INCOME	5	<u>199,418,836</u>	<u>205,419,901</u>
		<u>1,813,641,633</u>	<u>1,576,200,364</u>
OPERATING EXPENSES			
Staff emoluments	6	258,935,072	186,042,997
Administrative and general expenses	7	109,468,835	64,736,703
Depreciation		35,093,527	47,193,222
Provision for doubtful accounts		1,042,746,883	471,944,226
Bad debts written off		473,592	261,561
Board fees		326,000	186,000
Audit fee		<u>448,000</u>	<u>563,550</u>
		<u>1,447,491,909</u>	<u>770,928,259</u>
<b>PROFIT BEFORE TAX</b>		<b>366,149,724</b>	<b>805,272,105</b>
Income tax income (expense)	8 (a)	<u>7,370,692</u>	<u>(123,834,719)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>373,520,416</u></b>	<b><u>681,437,386</u></b>





**DEVELOPMENT BANK OF ETHIOPIA  
BALANCE SHEET  
AS AT 30 JUNE 2016**

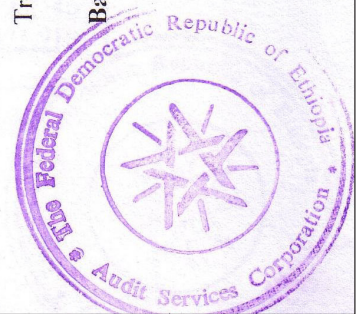
	Notes	2016 Ethiopian Birr	2015 Ethiopian Birr
<b>ASSETS</b>			
Cash on hand and bank balances with			
National Bank of Ethiopia		1,072,750,566	756,010,882
Deposits with local banks		781,006,214	757,511,179
Deposits with foreign banks		<u>2,189,831,639</u>	<u>1,295,656,412</u>
		<b>4,043,588,419</b>	<b>2,809,178,473</b>
Treasury bills		13,065,015,505	13,087,636,772
Ethiopian Government bonds	9	2,609,556,437	57,604,013
Loans and advances	10	26,889,176,086	23,773,017,832
Property, plant and equipment	11	260,113,582	192,043,770
Property held for sale		209,651,979	75,047,055
Other assets	12	2,388,734,045	1,709,481,571
Income tax recoverable	8 (d)	4,715,964	-
Deferred tax asset	13	<u>5,394,628</u>	<u>-</u>
		<b><u>49,475,946,645</u></b>	<b><u>41,704,009,486</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHORT TERM LIABILITIES</b>			
Customers' deposits	14	801,714,006	724,604,250
Current maturity of long term borrowings	15	6,568,093,121	121,303,108
Other liabilities	16	3,008,723,009	2,916,428,036
Current tax liabilities	8 (d)	-	<u>122,393,455</u>
		<b><u>10,378,530,136</u></b>	<b><u>3,884,728,849</u></b>
<b>LONG TERM LIABILITIES</b>			
Long term borrowings	15	31,220,832,465	33,559,553,295
Deferred tax liability	13	-	<u>2,022,371</u>
		<b><u>31,220,832,465</u></b>	<b><u>33,561,575,666</u></b>
<b>CAPITAL AND RESERVES</b>			
<b>CAPITAL</b>			
Authorized and fully paid	17	7,500,000,000	1,800,000,000
Donated capital		-	3,712,604
LEGAL RESERVE	18	95,063,850	636,686,172
ACCUMULATED PROFIT		<u>281,520,194</u>	<u>1,817,306,195</u>
<b>TOTAL EQUITY</b>		<b><u>7,876,584,044</u></b>	<b><u>4,257,704,971</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>49,475,946,645</u></b>	<b><u>41,704,009,486</u></b>





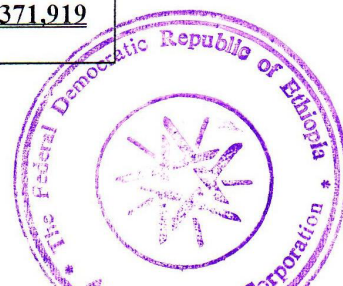
**DEVELOPMENT BANK OF ETHIOPIA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

	<u>Paid up capital</u> Ethiopian Birr	<u>Donated capital</u> Ethiopian Birr	<u>Legal reserve</u> Ethiopian Birr	<u>Accumulated profit</u> Ethiopian Birr	<u>Total</u> Ethiopian Birr
Balance at 30 June 2014	1,800,000,000	3,519,272	466,326,825	1,306,228,156	3,576,074,253
Donation received		193,332			193,332
Profit for the year				681,437,386	681,437,386
Transfer to legal reserve			170,359,347	(170,359,347)	-
<b>Balance at 30 June 2015</b>	<b>1,800,000,000</b>	<b>3,712,604</b>	<b>636,686,172</b>	<b>1,817,306,195</b>	<b>4,257,704,971</b>
Increase in capital	5,700,000,000	(3,712,604)	(635,002,426)	(1,815,835,313)	3,245,449,657
Profit for the year				373,520,416	373,520,416
Adjustment				(91,000)	(91,000)
Transfer to legal reserve			93,380,104	(93,380,104)	-
<b>Balance at 30 June 2016</b>	<b>7,500,000,000</b>	<b>-</b>	<b>95,063,850</b>	<b>281,520,194</b>	<b>7,876,584,044</b>



**DEVELOPMENT BANK OF ETHIOPIA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016 Ethiopian Birr</b>	<b>2015 Ethiopian Birr</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	373,520,416	681,437,386
Adjustments for		
Income tax expense recognized in profit or loss	(7,370,692)	123,834,719
Gain on foreign exchange recognized in profit or loss	(63,044,657)	(65,650,594)
Domestic interest recognized in profit or loss	(626,130)	(626,130)
Discount on bonds recognized in profit or loss	-	(4,160,668)
Provisions against other assets recognized in profit or loss	1,042,746,883	422,729,435
Depreciation of non-current assets	35,129,957	47,161,747
Gain on disposal of property, plant and equipment	-	(2,078,501)
	1,380,355,777	1,202,647,394
Movements in operating assets		
Increase in other assets	(689,375,467)	(593,512,354)
Increase in loans and advances	(4,283,387,068)	(4,212,285,207)
Increase in deposits	77,109,756	106,604,512
Increase in other liabilities	769,886,516	255,127,445
<b>Cash used in operations</b>	<b>(2,745,410,486)</b>	<b>(3,241,418,210)</b>
Gain on foreign exchange received	63,044,657	65,650,594
Income tax paid	(127,155,726)	(101,407,981)
<b>Net cash used by operating activities</b>	<b><u>(2,809,521,555)</u></b>	<b><u>(3,277,175,597)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Domestic deposit interest received	626,130	626,130
Payments for property, plant and equipment	(103,199,769)	(72,973,005)
Proceeds from sale of property, plant and equipment	-	2,225,392
Proceeds from redemption of Government bonds	15,814,690	18,099,463
<b>Net cash generated by investing activities</b>	<b><u>(86,758,949)</u></b>	<b><u>(52,022,020)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net investments in treasury bills	638,220,066	(2,436,705,846)
Proceeds from borrowings	10,592,393,536	5,605,142,122
Repayment of borrowings	(6,484,324,353)	(690,633,326)
<b>Net cash generated from financing activities</b>	<b><u>4,746,289,249</u></b>	<b><u>2,477,802,950</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,850,008,745</b>	<b>(851,394,667)</b>
Cash and cash equivalents at the beginning of the year	4,936,371,919	5,787,766,586
<b>Cash and cash equivalents at the end of the year</b>	<b><u>6,786,380,664</u></b>	<b><u>4,936,371,919</u></b>
<b>Cash and cash equivalents comprise</b>		
Cash on hand and bank balances with		
National Bank of Ethiopia	1,072,750,566	756,010,882
Deposits with banking institutions	2,970,837,853	2,053,167,591
Treasury bills, maturing within 3 months	2,742,792,245	2,127,193,446
	<b><u>6,786,380,664</u></b>	<b><u>4,936,371,919</u></b>





## **DEVELOPMENT BANK OF ETHIOPIA NOTES TO THE FINANCIAL STATEMENTS**

### **1 BANK INFORMATION**

Development Bank of Ethiopia was established as a public specialized financial institution with limited liability. Its main objective is to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing funds from domestic and foreign sources.

The Bank's head office is located in Addis Ababa and it has 110 branches in twelve districts throughout Ethiopia.

It is wholly owned by the Federal Democratic Republic of Ethiopia.

### **2 SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Statement of compliance**

These financial statements have been prepared in compliance with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960.

#### **b) Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts. The principal accounting policies are set out below.

#### **c) Interest income**

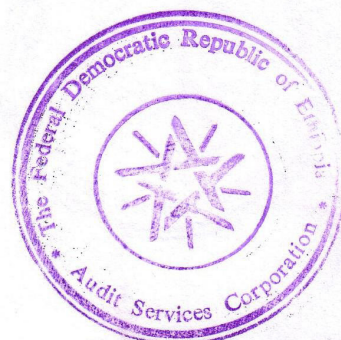
Interest income is generally recognized in the period in which it is earned. Interest on non-performing loans is carried on a memorandum account until such time that cash or cash equivalent is received, when it is included in income.

#### **d) Interest expense**

Interest expense is recognized on an accrual basis in the period when it is due to customers.

#### **e) Other income**

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

g) Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. They are initially measured at fair value unless explained otherwise.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

h) Treasury bills and Ethiopian Government bonds

These bills and bonds are stated at amortised cost using the effective interest method.

i) Provision for doubtful debts

The provision for doubtful debts is calculated at the following rates based on past-due loans and interest as is directed by the National Bank of Ethiopia.

For short term loans

<u>Classification</u>	<u>Age of arrears</u>	<u>%</u>
Pass	Less than 30 days	1
Special Mention	Between 31 and 90 days	3
Substandard	Between 91 and 180 days	20
Doubtful	Between 181 and 360 days	65
Loss	More than 360 days	100

For medium and long term loans

<u>Classification</u>	<u>Age of arrears</u>	<u>%</u>
Pass	Less than 180 days	1
Special Mention	Between 6 and 12 months	3
Substandard	Between 12 and 18 months	20
Doubtful	Between 18 months and 3 years	65
Loss	More than 3 years	100





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	%
Buildings	5
Computer installations	25
Other assets	20

k) Property Held for Sale

Properties acquired through foreclosure and available for sale in their present condition are subject to terms that are usual and customary for sales. The assets are measured as estimated by the Bank's engineers at the date of acquisition. They are subsequently re-valued by the Bank's engineers if there is a clear indication of impairment. Provision for impairment is also maintained on the outstanding balance of a loan after deducting the net recoverable value computed according to National Bank of Ethiopia directives.

l) Leave accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances at the National Bank of Ethiopia, deposit accounts with other banks and short term, highly liquid investments with maturity periods of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short-term finances.





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

n) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Ethiopian Birr at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Resultant exchange differences are recognized in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of the transaction.





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2016</b> <b>Ethiopian Birr</b>	<b>2015</b> <b>Ethiopian Birr</b>
<b>3 INTEREST INCOME</b>		
Industrial loans	1,698,411,673	1,510,167,879
Treasury bills	387,089,017	385,603,168
Agricultural loans	451,341,924	271,053,792
Service loans	275,722,231	265,649,299
Miscellaneous	<u>4,974,242</u>	<u>8,718,257</u>
	<b><u>2,817,539,087</u></b>	<b><u>2,441,192,395</u></b>
<b>4 INTEREST EXPENSE</b>		
Domestic loans	737,866,473	690,028,376
Government Saving Bonds	361,120,848	292,994,659
International loans	84,447,951	67,538,309
Time deposits	19,426,343	19,428,897
Saving accounts	<u>454,675</u>	<u>421,691</u>
	<b><u>1,203,316,290</u></b>	<b><u>1,070,411,932</u></b>
<b>5 OTHER INCOME</b>		
Services	108,217,844	104,347,174
Gain on foreign exchange	63,044,657	65,650,594
Rent	7,921,594	7,646,771
Gain on disposal of property awaiting sale	2,648,097	2,705,845
Bad debts collected	-	63,778
Miscellaneous	<u>17,586,644</u>	<u>25,005,739</u>
	<b><u>199,418,836</u></b>	<b><u>205,419,901</u></b>



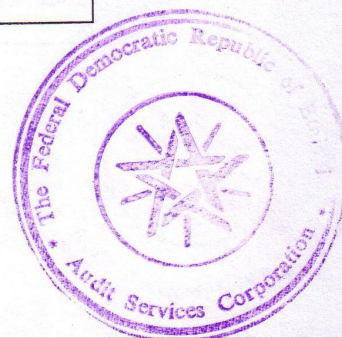


**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2016 Ethiopian Birr	2015 Ethiopian Birr
<b>6 STAFF EMOLUMENTS</b>		
Salaries and wages	169,263,547	122,351,549
Allowances	38,657,143	26,897,720
Pension contributions	15,325,779	10,637,531
Travelling and per diem	11,038,239	9,340,025
Medical	7,871,007	5,968,119
Training and education	6,580,039	6,274,652
Uniforms	1,367,173	1,747,810
Miscellaneous	8,832,145	2,825,591
	<u>258,935,072</u>	<u>186,042,997</u>

**7 ADMINISTRATIVE AND GENERAL EXPENSES**

Rent	17,521,325	3,114,160
Printing of saving bonds	14,655,433	3,714,838
Licence fees and taxes	12,995,520	543,567
Repairs and maintenance	10,089,724	11,920,473
Insurance	8,309,922	6,642,444
Communications	6,189,740	3,438,480
Printing and stationery	4,376,287	3,081,199
Commission	4,094,733	4,376,656
Costs related to property held for sale	3,291,149	9,837,408
Front end fee on foreign borrowing	3,194,041	-
Security and cleaning	3,113,575	2,014,647
Subscriptions and publications	2,780,480	2,330,925
Technical and feasibility studies	2,726,944	3,327,986
Event organization	2,360,180	-
Utilities	1,433,480	1,094,312
Consultancy	1,416,090	292,402
Bank charges	1,243,442	819,246
Advertisement and publicity	1,224,969	2,275,601
Entertainment	1,100,063	1,127,643
Penalty	-	18,571
Miscellaneous	7,351,738	4,766,145
	<u>109,468,835</u>	<u>64,736,703</u>





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2016 Ethiopian Birr	2015 Ethiopian Birr
<b>8 TAXATION</b>		
<b>(a) Profit and loss account - Income tax expense</b>		
Current taxation based on the adjusted profit for the year at 30%	-	128,550,937
Tax on foreign deposit interest	46,307	31,307
<b>Current tax</b>	<b>46,307</b>	<b>128,582,244</b>
Deferred tax in respect to the current year	(7,416,999)	(4,747,525)
	<u>(7,370,692)</u>	<u>123,834,719</u>
<b>(b) Tax expense computation</b>		
Net profit before taxation	366,149,724	805,272,105
Add: Disallowed expenses		
Accounting depreciation	32,059,187	47,161,747
Entertainment	1,100,064	1,127,643
Donations	552,038	518,924
Penalty	-	18,571
	<u>33,711,289</u>	<u>48,826,885</u>
Less: Allowed expenses		
Tax depreciation	31,442,933	29,253,208
Less: Income taxed at source or exempt		
Interest on treasury bills	387,089,017	385,603,168
Interest on local banks	4,048,093	8,092,126
Foreign deposit interest	926,149	626,131
Gain on disposal	-	2,021,234
	<u>392,063,259</u>	<u>396,342,659</u>
<b>Taxable (loss) profit</b>	<b>(23,645,179)</b>	<b>428,503,123</b>
<b>Income tax at 30%</b>	<b>-</b>	<b>128,550,937</b>
Tax on foreign deposit interest	46,307	31,307
Deferred taxation	(7,416,999)	(4,747,525)
<b>Tax (income) expense</b>	<b>(7,370,692)</b>	<b>123,834,719</b>





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 TAXATION (continued)**

**(c) Reconciliation of tax expense to the expected tax based on accounting profit**

	<b>2016</b> <b>Ethiopian Birr</b>	<b>2015</b> <b>Ethiopian Birr</b>
Net profit before taxation	<u>366,149,724</u>	<u>805,272,105</u>
Tax at the applicable rate of 30%	109,844,917	241,581,632
Tax effect of expenses not deductible for tax purposes	495,630	14,648,066
Tax effect of temporary differences recognized as deferred tax assets and liabilities	(184,877)	(4,747,525)
Tax effect of income taxed at source or exempt	<u>(117,526,362)</u>	<u>(127,647,453)</u>
<b>Tax (income) expense</b>	<b><u>(7,370,692)</u></b>	<b><u>123,834,719</u></b>

**(d) Balance sheet - Income tax recoverable (tax payable)**

At the beginning of the year	(122,393,455)	(96,875,437)
Paid during the year	127,155,726	103,064,226
Current year tax payable	<u>(46,307)</u>	<u>(128,582,244)</u>
	<b><u>4,715,964</u></b>	<b><u>(122,393,455)</u></b>

**(e) Current tax rate**

The current tax rate is 30%.

**9 ETHIOPIAN GOVERNMENT BONDS**

Non-interest bearing bond maturing in two equal annual instalments through January 2018	28,868,030	43,302,045
Non-interest bearing bond maturing in nine equal annual instalments through February 2025	12,921,293	14,301,968
Non-interest bearing special bond maturing in ten equal annual instalments from July 2022. The Ministry of Finance and Economic Cooperation has the right to redeem this bond at any time.	<u>2,567,767,114</u>	=
	<b><u>2,609,556,437</u></b>	<b><u>57,604,013</u></b>





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 LOANS AND ADVANCES**

	2016 Ethiopian Birr	2015 Ethiopian Birr
Industrial	19,298,538,310	17,523,538,138
Agriculture	5,806,251,653	4,082,934,009
Other business	4,022,461,325	3,926,550,244
Staff	<u>166,703,567</u>	<u>100,419,738</u>
	<b>29,293,954,855</b>	<b>25,633,442,129</b>
Less: Provision for impairment	<u>2,404,778,769</u>	<u>1,860,424,297</u>
	<b><u>26,889,176,086</u></b>	<b><u>23,773,017,832</u></b>

**11 PROPERTY, PLANT AND EQUIPMENT**

	Balance at 30 June 2015 ETB	Additions ETB	Transfers ETB	Balance at 30 June 2016 ETB
<b>COST</b>				
Buildings	111,037,719	232,268	126,625	111,396,612
Motor vehicles	140,231,563	5,801,214	20,358,246	166,391,023
Computer installations	84,693,023	5,683,250	-	90,376,273
Furniture and office equipment	31,767,198	9,128,239	75,698	40,971,135
Assets in store and in transit	<u>72,332,224</u>	<u>82,354,798</u>	<u>(23,631,339)</u>	<u>131,055,683</u>
	<b><u>440,061,727</u></b>	<b><u>103,199,769</u></b>	<b><u>(3,070,770)</u></b>	<b><u>540,190,726</u></b>
<b>DEPRECIATION</b>				
Buildings	99,033,288	1,219,885	-	100,253,173
Motor vehicles	94,075,197	22,517,958	-	116,593,155
Computer installations	39,547,151	8,470,969	(1,654,590)	46,363,530
Furniture and office equipment	<u>15,362,321</u>	<u>2,921,145</u>	<u>(1,416,180)</u>	<u>16,867,286</u>
	<b><u>248,017,957</u></b>	<b><u>35,129,957</u></b>	<b><u>(3,070,770)</u></b>	<b><u>280,077,144</u></b>
<b>NET BOOK VALUE</b>	<b><u>192,043,770</u></b>			<b><u>260,113,582</u></b>



**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2016 Ethiopian Birr	2015 Ethiopian Birr
<b>12 OTHER ASSETS</b>		
Accrued interest on loans	2,238,634,740	1,677,660,944
Accounts receivable and prepayments	142,619,141	28,407,686
Uncleared effects	30,330,105	16,139,889
Equity investment	<u>11,376,000</u>	<u>11,376,000</u>
	<b>2,422,959,986</b>	<b>1,733,584,519</b>
Total provisions	<u>34,225,941</u>	<u>24,102,948</u>
	<b><u>2,388,734,045</u></b>	<b><u>1,709,481,571</u></b>

**13 DEFERRED TAX ASSET (LIABILITY)**

Deferred tax is calculated on all temporary differences under the liability method

Movement on the deferred tax account is as follows

At 30 June 2015	(2,022,371)	(6,769,896)
Credit to profit or loss (note 8 (a))	<u>7,416,999</u>	<u>4,747,525</u>
	<b><u>5,394,628</u></b>	<b><u>(2,022,371)</u></b>

The deferred tax asset at year end is attributable to  
a tax loss carried forward 7,232,122  
the difference between the tax basis  
of property, plant and equipment  
and its carrying value for financial  
reporting purposes

(1,837,494)	(2,022,371)
<b><u>5,394,628</u></b>	<b><u>(2,022,371)</u></b>

**14 CUSTOMERS' DEPOSITS**

Demand deposits	381,236,961	296,143,208
Time deposits	363,156,960	363,156,960
Retentions payable on letters of credit	43,859,208	13,231,185
Savings deposits	<u>13,460,877</u>	<u>52,072,897</u>
	<b><u>801,714,006</u></b>	<b><u>724,604,250</u></b>



DEVELOPMENT BANK OF ETHIOPIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

Ethiopian Birr

15 LONG TERM BORROWINGS

Balance at 30 June 2015	33,680,856,403
Additional loans during the year	<u>10,592,393,536</u>
	44,273,249,939
Less: Repayments	<u>(6,484,324,353)</u>
	37,788,925,586
Less: Repayable within 12 months	<u>(6,568,093,121)</u>
Balance at 30 June 2016	<u>31,220,832,465</u>

National Bank of Ethiopia

Loans, bearing interest at the rate of 3% per annum and repayable in 2017 - Birr 6,252,000,000, 2018 - Birr 4,005,000,000, 2019 - Birr 3,750,000,000, 2020 - Birr 3,100,000,000, and 2021 - Birr 8,500,000,000.00	25,607,000,000
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Ethiopian Government Saving Bonds

Bonds, bearing interest at rates of 0, 5.5, and 6% per annum and repayable in periods of between 1 and 5 years	7,283,622,120
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Ministry of Finance and Economic Development

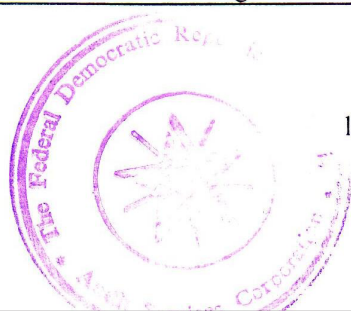
Loan on-lent from International Fund for Agricultural Development, bearing interest at the rate of 1.5% per annum and repayable in 59 semi-annual instalments of Birr 20,645,966 commencing July 2022	1,327,407,499
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Loan on-lent from International Development Association, bearing interest at the rate of 1.5% per annum and repayable in 44 semi-annual instalments of Birr 18,928,173 commencing June 2022	832,839,617
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Loan on-lent from China Development Bank, bearing interest at the rate of 2.9465% per annum and repayable by May 2022	1,144,956,800
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Loans on-lent from international funds, bearing interest at rates of 1.5 and 2% per annum and repayable in various semi-annual instalments through March 2044	<u>1,593,099,551</u>
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37,788,925,586





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2016 Ethiopian Birr	2015 Ethiopian Birr
<b>16 OTHER LIABILITIES</b>		
Other payables	1,881,702,041	1,892,066,157
Accrued interest on loans	1,101,729,412	934,326,882*
Export Credit Guarantee Fund	18,372,113	83,116,075
Accrued charges	<u>6,919,443</u>	<u>6,918,922</u>
	<b><u>3,008,723,009</u></b>	<b><u>2,916,428,036</u></b>

**17 CAPITAL**

The Bank is wholly owned by the Federal Democratic Republic of Ethiopia.

**18 LEGAL RESERVE**

The legal reserve is a statutory reserve to which not less than 25% of the net profits shall be transferred each year until such reserve equals the capital of the Bank and thereafter 10% of the net profit shall be transferred each year.

**19 ACCUMULATED PROFIT**

The accumulated profit balance may be used as the owner resolves.

**20 RETIREMENT BENEFIT OBLIGATIONS**

The Bank makes contributions to a statutory defined pension scheme to which the employer and employee make contributions of 11% and 7% of the employee's basic salary, respectively.

**21 COMMITMENTS**

The Bank has commitments, not provided for in these financial statements, of Birr 75,597,413 for purchase of various capital items.





**DEVELOPMENT BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22 CONTINGENT LIABILITIES**

The Bank has contingent liabilities, not provided for in these financial statements, of Birr 37,938,031 in respect of legal actions brought by different organizations and individuals which are contested by the Bank. It is not possible to assess the outcome of these cases.

**23 INCORPORATION**

The Bank is incorporated and domiciled in Ethiopia. It is subject to the Banking Business Proclamation No. 592/2008.

**24 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Ethiopian Birr.

**25 EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the reporting period which should be reported in these financial statements.

**26 DATE OF AUTHORIZATION**

The Bank's President authorized the issue of these financial statements on 16 December 2016.



## Senior Management Members

1. Ato Tsige Genet, Director, Customer Relationship Management Directorate I
2. W/rt Zebideru Debebe, A/Director, Customer Relationship Management Directorate II
3. Ato Yilma Abebe, Director, Internal Audit Directorate
4. Ato Taye Jiru, Director, Project Rehabilitation and Loan Recovery Directorate
5. Ato Taddesse Tolcha, Project Appraisal Directorate I
6. W/ro Genet Yirgu, Director, Project Appraisal Directorate II
7. Ato Gacho Wara, Director, Compliance and Risk Management Directorate
8. W/ro Meseret Tilahun, Chairperson, Loan Approval Team I
9. Ato Tekle Zewde, Chairperson, Loan Approval Team II
10. Ato Workashe Chema, Director, Strategic Planning and Change Management Directorate
11. Ato Getnet Temechew, Director, Legal Affairs Directorate
12. Ato Markos AklileBirhan, Director, Human Resource Management Directorate
13. Ato Hailu Misganaw, A/Director, Corporate Promotion and Communication Directorate
14. Ato Dereje Daba, Director, Equipment Supply and Follow-up Directorate
15. Ato Gedion Mekonnen, Director, Lease Financing Follow-Up Directorate
16. Ato Getachew Wake, Director, Branch Operation Directorate
17. Ato Hunengaw Zegeye, Director, Project Data Management Directorate
18. Ato Tsehay Taye, Director, Project Follow-Up and Loan Collection Directorate I
19. Ato Bekabil Berhanu, Director, Project Follow-Up and Loan Collection Directorate II
20. Ato Tsegaye Negussie, Director, Project Evaluation and Loan Portfolio Management
21. Ato Samson Getachew, Director, Information Technology Services Directorate
22. Ato Tirfu Adhanom, Director, Finance and Accounts Management Directorate
23. Ato Yohannes Belachew, Director, International Banking Service Directorate
24. Ato Getachew Seyoum, Director, Property and Facility Management Directorate
25. Ato Frew Kassa, Director, Corporate Bond Management Directorate
26. Ato Berhanu Taye Tola, Director, Research and Business Development Directorate
27. Ato Worku Fekade, Manager, Ethics and Compliant Management Office
28. Dr. Behailu Kassaye, Director, Special Fund Administration and RUFIP Directorate
29. Ato Abiyot Daida, Director, Engineering Service Directorate
30. Ato Kifle Haileyesus, Assistance to the President (Director Level)
31. Ato Ebba Regassa, Executive Assistant
32. Ato Getahun Checkol, Executive Assistant
33. Ato Wondesen Bazabeh, Executive Assistant
34. Ato Jemal Seid, Director, Hawasa District
35. Ato Sisay Biru, Director, Jimma District
36. Ato Atsbeha Abay, Director, Adama District
37. Ato Gebremedihin Hadera, Director, Addis Ababa District
38. W/ro Aberu Asmamaw, Director, Bahir Dar District
39. Ato Hadush G/Egziabher, Director, Mekele District
40. Ato Kindyihun Bele, Director, Gondar District
41. Ato Tibebe Bezuneh, Director, Wolayita Sodo District
42. Ato Melese Maruta, Director, Butajira District
43. Ato Kedir Beshir, Director, Dessie District
44. Ato Hailu Fitta, Director, Diredawa District
45. Ato Eba Benti, Director, Nekemte District
46. Ato Teramaj Tesfaye, Director, Gambella District



## Distribution of Districts and Branch Offices

### Dire Dawa District

Dire Dawa Branch  
Haromaya Branch  
Chiro Branch  
Jigjiga Branch  
Bediesa Branch  
Harar Branch

### Gondar District

Gondar Branch  
Debretabor Branch  
Woreta Branch  
Ayikel Branch  
Debark Branch

### Dessie District

Dessie Branch  
Kombolcha Branch  
kemissie Branch  
Shewa Robit Branch  
Woldiya Branch  
Kobo Branch  
Bati Branch  
Sekota Branch  
Lalibela Branch  
Asayita Branch  
Dufti Branch

### Bahir Dar District

Bahirdar Branch  
Debremarkos  
Mota Branch  
Finoteselam Branch  
Bure Branch  
Chagni Branch  
Dangela Branch  
Injibara Branch  
Adet Branch

### Jimma District

Jimma Branch  
Mizan Teferi Branch  
Agaro Branch  
Tepi Branch  
Bedele Branch  
Bonga Branch

### Mekelle District

Mekele Branch  
Humera Branch  
Adigrat Branch  
Endaselsse Branch  
Axum Branch  
Wukro Branch  
Adwa Branch  
Abiyadi Branch  
Maychew Branch  
Alamata Branch

### Nekemte District

Nekemte Branch  
Assosa Branch  
Shambu Branch  
Bako Branch  
DembiDolo Branch  
Gimbi Branch  
Nejo Branch

### Butajira District

Butajira Branch  
Wolkite Branch  
Worabe Branch  
Meki Branch  
Alaba Kulito Branch  
Batu Branch  
Wolisso Branch  
Hosa'ena Branch

### Addis Ababa District

East Addis Ababa Branch  
W. Addis Ababa Branch  
S. Addis Ababa Branch  
N. Addis Ababa Branch  
Debreberhan Branch  
Ambo Branch  
Fichie Branch  
Gerbeguracha Branch  
Sebeta Branch  
Burayu Branch  
Holeta Branch  
Ginchi Branch

### Wolayta Sodo District

Walyitasodo Branch  
Boditi Branch  
Durame Branch  
Hadero Branch  
Areka Branch  
Waka Branch  
Sawla Branch  
Arbaminch Branch  
Jinka Branch

### Hawasa District

Hawassa Branch  
Dilla Branch  
Aletawondo Branch  
Goba Branch  
Yirgalem Branch  
Bule Hora Branch  
Aleta Chuko Branch  
Shakiso Branch  
Yirga Chefie Branch  
ArsiNegele Branch  
Negele Branch  
Adaba Branch  
Kuyera Branch  
Shashemene Branch  
Robe Branch

### Adama District

Adama Branch  
Asela Branch  
Bishoftu Branch  
Mojjo Branch  
Welenchiti Branch  
Bekoji Branch

### Gambella District

Gambella Branch  
Mettu Branch



A milk processing factory financed by DBE